

DIVISION OF BANKING



POLICY STATEMENT NUMBER DBR B99-1

DATE: February 24, 1999

SUBJECT: R. I. Gen. Laws § 19-5-17(c) & Banking Regulation 98-5-5(c)
Loans to Officers, Directors and Committee Members

R. I. Gen. Laws § 19-5-17(c) states that the director shall promulgate regulations relating to loans to officers and directors of credit unions, which regulations shall provide for limitations and requirements similar to federal regulations governing loans to officers and directors of financial institutions. Federal Regulation O governs loans to officers, directors, and principal shareholders of financial institutions.

Banking Regulation 98-5-5(c) states that any loan to an officer, director, or member of a committee ("Official") must be granted in compliance to federal deposit insurance rules and regulations governing loans to officers and directors. Part 337.3 (12 C.F.R. § 337.3) of FDIC rules and regulations ("FDIRR") govern loans to executive officers, directors, and principal shareholders of FDIC insured banks. Part 337.3 states that with the exception of §§ 215.5(b), 215.5(c) (3), 215.5(c)(4) and 215.11, FDIC banks are subject to the restrictions contained in subpart A of Federal Regulation O (12 CFR Part 215, subpart A) to the same extent and manner as though they were member banks. Part 337.3 also states that for purposes of compliance to § 215.4(b) of Federal Regulation O, no bank may extend credit or grant a line of credit to any of its executive officers, directors, or principal shareholders or to any related interest of any such person in an amount that, when aggregated with the amount of all other extensions of credit and lines of credit by the bank to that person and to all related interest of that person, **exceeds the greater of \$25,000 or five percent (5%) of the bank's capital and unimpaired surplus, or \$500,000** unless: (1) the extension of credit or line of credit has been approved in advance by a majority of the entire board of directors of that bank; and (2) the interested party has abstained from participating directly or indirectly in the voting.

Contrary to my prior opinion that credit unions must comply with Federal Regulation O in its entirety, credit unions must comply with NCUA Rules and Regulations Part 701.21(d)(5) as well as FDIC Rules and Regulations Part 337.3 which exempts certain sections of Federal Regulation O as discussed above.

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